

TECHNOLOGY DEVELOPMENT PROGRAM

(UR-0110)

EXECUTIVE SUMMARY

Borrower and guarantor:	The Oriental Republic of Uruguay	
Executing agency:	Ministerio de Educación y Cultura [Ministry of Education and Culture] (MEC)	
Amount and source:	IDB: (OC)	US\$30 million
	Local counterpart:	<u>US\$20 million</u>
	Total:	US\$50 million
Financial terms and conditions:	Amortization period:	20 years
	Commitment period:	4 years
	Disbursement period:	5 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	U.S. dollars, Single Currency Facility
Objectives:	<p>The general objective of the technology development program is to help mobilize the country's innovative capacity with the goals of boosting the competitiveness of small and medium-sized enterprises (SMEs) that produce goods and services and improving the conditions for science and technology development. Increased capacity for innovation will be achieved through the generation, use and adaptation of new technologies in production, management and distribution processes and through science and technology (S&T) activities.</p> <p>The program will finance: (i) projects to develop technology, services, and investments in training, information and management of technological resources, with a view to facilitating the creation and application of technology by individual companies and groups of companies that produce goods and services in Uruguay; (ii) enhancement of the country's capacity for complex research in a range of priority S&T disciplines and specialties; and (iii) strengthening of the national innovation system by coordinating S&T activities with the systematic treatment of innovation, promoting regional and international linkages and acquainting the general public with advances in S&T.</p>	

Description:	The program will consist of three subprograms: (a) support for innovation and competitiveness in Uruguayan companies (US\$25.7 million), which will help to boost their efficiency through innovations in production, management and distribution processes; (b) development and application of S&T (US\$12.2 million) to enhance the capacity to perform research and generate knowledge of use to society; and (c) institution building (US\$4 million), which will integrate activities in the different areas, through three components: (i) strengthening for the national innovation system; (ii) support for regional and international activities; and (iii) information and dissemination.
The Bank's country and sector strategy:	The Bank's strategy in Uruguay is to promote investments as the motor for growth, attempting in particular to boost the capacity of the economy to make the most of the opportunities offered by MERCOSUR and other foreign markets. Three priority areas of action have been identified: (i) support for the deepening of structural reforms in the public sector; (ii) backing for initiatives to improve the climate for private investment, including a reduction in the Uruguay cost; and (iii) support for efforts to improve the coverage and quality of social services. The proposed program is linked to underpinning areas (i) and (ii) of this strategy.
Environmental and social review:	The Committee on Environment and Social Impact (CESI) reviewed this operation and its recommendations on gender and environmental considerations are reflected in paragraphs 4.20, 4.21 and 4.22
Benefits:	The program will help to boost Uruguay's capacity in science and technology, consolidating the progress made under an earlier Bank program. The proposed program has been designed to promote innovation and technology development in the productive sectors and enhance the quality and relevance of research projects. It will also contribute to the development of human resources specializing in S&T research and to linkage between research centers and the potential users of their results.
Risks:	Building up the country's scientific and technological capacity is a necessary but insufficient condition for modern development. Demand and interest by producers must exist if that capacity is to bring the expected benefits. To that end, the proposed program will carry out a series of concurrent actions, such as cofinancing for joint projects, identification of areas of opportunity, advisory services for companies and support for technology management centers and business incubators to promote and facilitate linkage between companies, especially smaller ones, and sources of knowledge and scientific and technological information.

Special contractual clauses:

Prior to the first disbursement of the loan, the borrower will present the following, to the Bank's satisfaction: (i) evidence that it has established and started up a program coordination unit, with the necessary funding and minimum staffing requirement for its operation in accordance with clause 4.01 of Annex A, and the necessary information, management, administrative, accounting, financial and internal control systems and operating manuals (paragraphs 3.3 and 3.4); (ii) evidence that selection committees have been established for company projects and S&T projects (paragraph 3.5); (iii) evidence that the program's Operating Regulations have been placed in effect (paragraph 3.7); (iv) model contracts to be signed by the borrower and the program beneficiaries (companies, business associations, grant recipients and technology institutions); (v) the operating plans for the components in the institution-building subprogram (paragraph 2.37); and (vi) the plan of operations for year one of the program (paragraph 3.12). Prior to the first disbursement for:

- i. **the institution-building subprogram**, the borrower will present to the Bank's satisfaction, the preliminary terms of reference for the consulting services to be used for execution of this subprogram;
- ii. **the S&T development and application subprogram**, the borrower will present a list of areas of opportunity that have been approved.

Poverty-targeting and social sector classification:

This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated in the Eighth General Increase in Resources (document AB-1704).

Exceptions to Bank policy:

None.

Procurement:

Bank procedures will be followed for procurement of good and contracting consulting services. The program does not include civil works or new buildings. The projects to be financed may include small expansions or adaptations of existing buildings to allow for the installation of new equipment, which may not cost more than 25% of the total cost of the respective subproject, or US\$25,000. International competitive bidding will be required for procurements of goods costing the equivalent of US\$250,000 and over and for consulting services worth the equivalent of US\$200,000 and over. For individual consulting contracts costing less than the equivalent of US\$50,000 and contracts with consulting firms under the equivalent of US\$100,000, the Bank will perform an ex post review by random sampling.